MR. CHAIRMAN: Q. No. 134, Shrimati Kamla Sinha, Dr. Bapu Kaldate, absent. Q. No. 135, Shri Inder Kumar Gujral, not present.

* 134. [*The questioners* (*Shrimati Kamla Sinha and Dr. Bapu Kal date*, were absent. For answer *vide* Col51.....*infra.*]

* 135. [*The question* (*Shri Inder Kumar Gujral*) was absent. For answer *vide* Col.52.....*infra.*]

Income Tax payers in the ocuntry

*136. SHRI P. UPENDRA: Will the Ministr of FINANCE be pleased to state:

(a) whether it is a fact that tax payers are just 1 per cent of total population in India, while they are around 10 per cent in countries like Nigeria and South Asian countries;

(b) what are the reasons for not bringing wider segments of the population of India into the tax net;

(c) whether it is a fact that tax revenue is likely to be 100 per cent more if evasion of taxes are checked;

(d) whether such observations are made by experts; and

(e) if so, what is the quantum of evaded revenue as observed by experts?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) to (e) A Statement is being laid on the Table of the House.

Statement

(a) The number of individual income-tax taxpayers in India is less than 1 per cent of the total population. It is indicated that in other developing countries including most South Asian countries, the percentage of income-tax paying population is higher than India.

(b) Agricultural income is exempt from tax under the provisions of the Income-tax Act. Therefore, persons deriving income only from agriculture fall outside the purview of the Income-tax administration.

In order to expand the tax base, a simple presumptive scheme of taxation for the taxpayers in the unorganised sector is under implementation for the past two years. A new estimated income scheme has been introduced for contractors and truck owners, in the Finance Act of 1994. Procedures have been simplified for promoting voluntary compliance. A single sheet return of income has been introduced for taxpayers having tax-able income not exceeding Rs. 1,20,000 from sources other than business or profession.

Survey of business premises are undertaken on a continuous basis so that new taxpayer are brought on the registers of the Income-tax Department.

(c) to (e) If evasion of taxes are checked the tax revenues will increase substantially. On account of the measures being taken by the Government, there has been appreciable growth in the revenue from income-tax in the last four years.

SHRI P. UPENDRA: Sir, the Minister has admitted that the number of individual income-tax payers in India is less than one per cent of the total population. It is not a question of the mere number but the categories of people covered by income-tax. Whereas most of the salaried class are coming under the purview of income-tax, those in the unorganised sector, those who are self-employed, etc. are evading taxes. My first supplementary is, what is the proportion of the salaried class to the others in this one per cent of

population? And, under the presumptive scheme of taxation, which is in operation for the last two years, how many people have been brought under the tax net and what has been the amount collected from these categories?

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, after the introduction of the presumptive scheme of taxation for the taxpayers in the unorganised sectors and among the small traders through the Budget of 1992, in the year 1992-93, there were about 1.16 lakh tax-payers under this scheme. Sir, I do not have the figures about the amount collected. I will collect them and pass them on to the hon. Member.

SHRI P. UPENDRA: The thrust of my first supplementary is that the burden is falling mostly on the salaried class because they cannot evade tax. The cost of collection per head being so high, there is no point in including more and more salaried classes—clerks, supervisors and all that—leaving the other categories. Anyhow, my second supplementary is this. There is a large number of people in the film industry and among professionals—for example, highly paid lawyers and doctors—who do not give receipts and do not pay taxes. What steps are being taken by the Government to mop up resources from these categories and plug the loopholes?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Sir, apart from the various search and seizure operations which are continuing, the only other way to deal with these problems is to make our tax system moderate in the sense that people have less and less incentive to evade. As a part of that process, we have reduced the top marginal income-tax rates. My own feeling is with a tighter system of administration, with the presumptive system that has been introduced, there had been hesitations initially. Now, we have extended it from small traders to truck owners and truck operators. In the years to come, we have to adopt similar techniques to bring more and more people, who are in the unorganised sector, into the tax net. So, we have a two-pronged strategy, lowering the tax rates to a level where people would have an added incentive to remain honest and strengthening the administrative machinery to see that deterrent punishment is meted out to those who continue to evade taxes. Another strategy is to create new instrumentalities of tax collection like the estimated income scheme, like the scheme for small traders that we introduced in 1992-93, so that coming into contact with the tax authorities is not considered a hazardous occupation for tax-payers. These are the broad strategies to deal with the problem of tax evasion. I agree with the hon. Members that there is a large amount of tax evasion in the self-employed sector and that applies to professionals, that applies to traders and several other categories of tax-payers as well.

SHRIMATI JAYANTHI NATARAJAN: Thank you, Sir. Sir, we appreciate the measures mentioned by the hon. Minister to prevent tax evasion, the steps taken by the Government to bring more and more people, who ought to pay tax, under the tax net, and also the concern expressed by my colleague about the burden falling upon the salaried people. Unfortunately, I think, the Finance Minister, in his anxiety to make sure that taxes and revenues increase, has brought a lot of women under the tax net, by saying that the income of the minor child is also included in the working mother's income, whichever is higher. The women organisations had already approached the Finance Minister to see that this is not done. This is only coming into effect from last year. So, my question to the hon. Minister is two-fold. What is the percentage of the collection which has increased due to the taxes being paid by these women? If

it is minimum, will the Finance Minister consider in the next Budget removing the burden upon the working others and single women, who pay not only their own tax but also the tax of their minor children which is added to their income? Would the Finance Minister consider lowering this in order to help women?

SHRI MANMOHAN SINGH: Sir, the specific tax measure that the hon. Member is referring to, is clubbing of the incomes of minors with the incomes of parents. So, this is not directed at women *per se*. If it is the father's income which is higher of the two, it is added to that income. It is designed as a measure to curb tax evasion It is not designed as a measure to penalise the working women. In fact, under the income-tax scheme, working women are the working women. In fact, under the given a preferential treatment because in their case, the allowance that in allowed as a tax deduction, is higher than that of the working men. As of now, we have no intention of going back on this clubbing device which was designed primarily as a devise to curb tax evasion

SHRIMATI JAYANTHI NATARAJAN: But she is earning a salary. There is no question of evasion. I am talking about salaried women and not professional women. It is only from last year that the provision has begun to affect women. These women are earning salaries and there is no question of evasion. It would be a greater incentive for women to come out and get jobs if this provision is made applicable to women. (*Interruptions*) When it affects the father, it is a different picture. I am talking about the salaried women many of whom are single-parents.

SHRI MANMOHAN SINGH: Sir, these are matters relating to the Budget. As of now, I cannot say what view we will take. But, while formulating the Budget for the next year, we will bear in mind this and all other relevant considerations.

SHRI MADAN BHATIA: Thank you, Sir. I would like to ask the hon. Finance Minister whether any exercise has been undertaken to determine in the last few years, annually, on an average, how much income-tax recovered from the salaried class, how much income-tax was recovered from the professional classes, how much income-tax was recovered from the business class and how much income-tax was recovered from individuals having an annual income of less than 50,000 rupees. At the same time, I would also like to ask the hon. Finance Minister whether he will be in a position to inform this House as to what the total income-tax recovered annually in the last two years from the individuals is and how much expenditure was involved in the recovery of that tax.

SHRI JAGESH DESAI: It will take half-an-hour to answer your question.

SHRI MANMOHAN SINGH: Sir, so far as the cost of collection is concerned, this is only 1.6 per cent of the total collection.

SHRI JOHN F. FERNANDES: Sir, we know that our tax system is very faulty and most of the salaried people are charged direct taxes. As a result, there is a loophole for manipulation. The tax officials get into many illegalities. I would like to know from the hon. Minister whether he will see to it that our tax laws are up-dated, that all the old circulars are removed from the Statue Book and there is a comprehensive legislation brought in to see that the tax-payers are not confused in the country.

MR. CHAIRMAN: The Question Hour is over.